



employer advisor

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2011 Rate Increase

Due to recent economic conditions and an increase in the payment of unemployment benefits, Utah's UI Trust Fund has been drawn down significantly. To replenish the fund, an across the board rate increase will be implemented for 2011. Employer contributions are deposited into the Trust Fund. The fund is only used to pay unemployment insurance benefits to laid off workers. Administrative costs are not paid from the Trust Fund.

The 2011 rate includes an increase of the Reserve Factor (which is adjusted to maintain an adequate reserve in the Trust Fund), as well as an increase to the Social Cost. Social costs generally represent costs that cannot be charged to a specific employer account. The benefit costs paid to employees of a company that has gone out of business represents an example of a social cost.

If the Trust Fund became insolvent, the Department of Workforce Services would have

to borrow sufficient funds to cover legally required unemployment insurance benefit payments.

If the Trust Fund remains solvent, Utah will avoid borrowing funds. If Utah has to borrow funds, the contribution rates paid by employers will increase even more in

order to collect sufficient contributions to both repay the loan and to continue paying benefits to laid off workers. While the new rates will be difficult for many Utah employers, virtually all states have been required to raise rates for similar reasons during this period.

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What is the Purpose of the Benefit Payment Control Unit?



Each State Workforce Agency (SWA) such as Utah's Department of Workforce Services operates an Unemployment Insurance (UI) Benefit Payment Control (BPC) program. The Benefit Payment Control (BPC) Unit is part of the (DWS) Unemployment Insurance Division.

The BPC unit prevents, detects, and recovers UI overpayments whether fraudulent or not. In this effort, the Utah BPC unit employs a variety of automated and manual searches to prevent and detect UI fraud and abuse. Due to the large dollar amounts associated with UI payments, safeguards against overpayments may lead to substantial savings for the State's UI Trust Fund. Fraud and abuse stemming from inad-

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What is the Purpose of the Benefit Payment Control Unit? Cont.

equate controls are costly and jeopardize the solvency of the State's UI Trust Fund. If the fund faces insolvency, the employer contribution rate will adjust upward, thus increasing each employer's contribution.

The legal basis for the prevention, detection and recovery of benefit overpayments in the UI program originates from provisions found in the Social Security Act and the Internal Revenue Code. While conforming to Federal law,

individual states develop their own UI laws and regulations needed to investigate and prosecute fraud and abuse.

By using the best available programs, training, and automation, Utah's BPC unit searches for unemployment insurance overpayments. This search and corresponding overpayment recovery address the employers' interest in keeping the UI Trust Fund solvent.

Who Is Exempt *from* Unemployment Insurance Taxes?



Rule 994-205 of the Utah Administrative Code allows unemployment insurance tax exemptions for employees who fall under certain categories. The following are common exemptions from Unemployment Insurance Contributions (Taxes).

Domestic service is exempt if an employer pays less than \$1,000 in a calendar quarter for services performed in a private home, local college club, or a college fraternity/sorority.

Family exemptions:

- If you are a **sole proprietor**, you, your spouse, parents, and your children under the age of 21 are exempt.
- If you are in a **partnership**, family relationships may fall under the exemptions if the worker is directly related to each business partner. For instance, if two brothers compose the partnership, the parents are the only exempt individuals. The spouses or children of each brother are not exempt. If a husband and wife compose the partnership, their children meet the exemption but the parents do not.
- Family exemptions are not allowed for a C or S Corporation or a Limited Liability Company (LLC).

Insurance solicitors who receive payments from commissions only are exempt. When the payment con-

sists of an hourly wage, salary, sick pay, or vacation pay, these wages and the commissions are subject to unemployment insurance contributions.

Licensed real estate agents who receive payments only from commissions are exempt. However, commissions may become subject when an agent receives an additional payment for training, mentoring, property management, or supervisory work.

Outside commission sales agents may qualify for this exemption if they:

1. Are paid solely by way of commission,
2. Do not receive any leads from your company,
3. Lack an established office or telephone number at your place of business,
4. Are not required to follow your company's instructions or procedures,
5. Do not have a required work schedule,
6. Sell a similar product from a competing company without restriction.

For additional information regarding these exemptions, please contact the Department of Workforce Services at 801-526-9235 or 1-800-222-2857, option 6.